

December 31, 2024 <sup>(Revised)</sup>

## Uno Feeds: Rating reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	11.00	11.00	[ICRA]BB+ (Stable) reaffirmed
Long-term – Unallocated limits	17.00	17.00	[ICRA]BB+ (Stable) reaffirmed
<b>Total</b>	<b>28.00</b>	<b>28.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

ICRA has taken a consolidated view of the credit profiles of Navkiran Techno Feeds (NTF) and Uno Feeds (UF), referred to as the Group, to arrive at the rating as there is strong management and operational linkages between the two entities along with cash flow fungibility through promoters. Also, both the entities are in the same line of business.

The rating continues to consider the Group's established presence in the fish feed industry, resulting in a healthy relationship with its customers and suppliers. The Group has been selling fish feed under its established brand, UNO, leading to healthy demand for its products. Moreover, the location-specific advantage of the Group along with the plant's proximity to the major aquaculture belt of Andhra Pradesh, continues to provide significant comfort to its business. The rating also factors in the favourable financial risk profile of the Group, as reflected in its healthy operating profit margin (OPM), despite some moderation in FY2024 on a YoY basis, which is likely to fall further in the current fiscal. However, ICRA expects some recovery in the OPM in FY2026. The rating derives comfort from the Group's comfortable capital structure, with a gearing of 0.4 times as on March 31, 2024, and healthy debt protection metrics. Although, moderation is likely in the debt protection metrics in the current fiscal due to pressure on margins, some recovery in the same are expected in FY2026.

The rating, however, is constrained by the intense competition in the industry and exposure of the Group's margins to volatile raw material prices (rice bran, soya and maize), due to its dependence on agro-climatic conditions, which account for the major part of its cost of production. The fish feed industry is highly fragmented without any entry barrier, which limits the Group's revenue potential as well as the pricing power. While the Group's revenue increased by around 12% to Rs. 347.4 crore in FY2024, mainly driven by competitive prices of extruded fish feed against farm feed, the profitability moderated to some extent. ICRA notes that the Group's margins are also susceptible to volatility in realisations. The Group continues to remain exposed to the inherent risks in the seafood industry, including susceptibility to diseases, climate change risks and Government policies. The risks associated with the partnership nature of the business, including the risk of capital withdrawal, among others also impact the rating.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that the Group will continue to maintain its business position while sustaining the profitability, primarily driven by its established presence in the fish feed industry, resulting in a healthy relationship with customers and suppliers. Going forward, the Group is likely to maintain its comfortable capital structure and healthy debt coverage indicators.

## Key rating drivers and their description

### Credit strengths

**Extensive track record of the Group** – The Group has extensive experience in the fish feed business, which enabled it to build strong customer and supplier bases. Moreover, it has been selling fish feed under the established brand name of UNO, leading to a healthy demand for its products.

**Favourable location of manufacturing units** – The Group's manufacturing units are located in Bhimavaram, a major aquaculture belt of Andhra Pradesh, providing regular and easy access to raw materials at lower transportation costs.

**Comfortable capital structure and healthy debt coverage indicators** – The Group's capital structure remained comfortable, characterised by a gearing (total debt/tangible net worth) of 0.4 times as on March 31, 2024, supported by modest debt levels. The debt coverage indicators remained healthy with an interest coverage of 5.1 times, total debt/OPBDITA of 0.9 times and DSCR of 3.8 times in FY2024. Going forward, the Group's capital structure and debt coverage indicators are expected to remain comfortable despite some moderation.

### Credit challenges

**Highly fragmented industry due to low entry barriers limits revenue and profitability potential** – The Group faces stiff competition from other unorganised players in the absence of entry barriers, which limits its revenue growth as well as its pricing flexibility and bargaining power with customers, putting pressure on its revenues and margins. The revenue in FY2024 grew by 12% on account of competitive prices of extruded fish feed compared to farm feed. Any change in price would impact sales volume and revenue of the Group in the future. The profitability of the Group declined to the pre-Covid levels in FY2024 and remained in the range of 8-10%.

**Inherent risks in seafood industry** – The Group is exposed to agro-climatic risks, wherein natural calamities such as flood and cyclone during the culture season can have serious impact on the prospects of successful culture. Despite technical advancement, fish getting affected by virus cannot be ruled out.

**Exposure of the Group's profitability to changes in key raw material prices** – The Group is exposed to the risk of fluctuations in the availability and prices of raw materials owing to its dependence on agricultural products. Besides, it does not enter any forward contract for purchasing raw materials from its suppliers.

**Risks inherent in partnership firms** – Given both the Group entities' constitution as partnership firms, the Group is exposed to specific risks like the possibility of capital withdrawal by the partners, as witnessed in the past few years and the risk of dissolution, etc.

### Liquidity position: Adequate

The Group's liquidity position remains adequate with sufficient cash flow from operations over the past years and the same is expected to continue, going forward. The reasonable buffer (around 65%) available in its working capital limits also provides comfort to its liquidity. Further, none of the Group entities have any repayment obligation or major capital expenditure plan in the near-to-medium term except for nominal regular maintenance capex, which would be funded through internal accruals. As per ICRA's estimates, stable cash accruals of the firms in the future and need-based support in the form of unsecured loans from the partners would be important in dealing with cash flow mismatch, if any.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if there is a significant increase in the Group's revenues and profitability while maintaining comfortable liquidity and debt protection metrics on a sustained basis.

**Negative factors** – Pressure on the rating could arise if there is a sharp decline in the Group’s revenue and profitability on a sustained basis. The rating could be downgraded if any substantial capital withdrawal results in lower accruals, impacting its liquidity on a sustained basis. Specific credit metrics that could lead to a rating downgrade include an interest cover below 2.5 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Uno Feeds draws support from the Group entity because of business and management linkages.
Consolidation/Standalone	Consolidation: ICRA has taken a consolidated view of the credit profiles of Navkiran Techno Feeds and Uno Feeds, referred to as the Group, to arrive at the rating, as there are strong management and operational linkages between the two entities along with cash flow fungibility through promoters. Also, both the entities are in the same line of business. The details of consolidation are there in Annexure 2.

## About the company

Established as a partnership firm in 2008, Uno Feeds manufactures floating fish feed through extrusion technology with an installed capacity of 96,000 MTPA. The firm’s manufacturing facility is located at Bhimavaram, West Godavari district of Andhra Pradesh. The day-to-day operations of the firm are looked after by the partner, Mr. K. Radha Krishna Murthy.

### Key financial indicators (audited)

	Consolidated		Standalone (Navkiran)		Standalone (Uno)	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Operating income	310.6	350.4	170.6	197.0	143.3	153.4
PAT*	17.8	14.6	10.0	8.2	7.8	6.4
OPBDIT/OI	11.3%	8.8%	11.6%	8.9%	10.7%	8.6%
PAT*/OI	5.7%	4.2%	5.9%	4.2%	5.4%	4.2%
Total outside liabilities/Tangible net worth (times)	0.7	0.5	1.5	1.0	0.2	0.1
Total debt/OPBDIT (times)	0.9	0.9	1.4	1.4	0.2	0.2
Interest coverage (times)	6.7	5.1	6.4	4.6	7.0	6.0

Source: Company, ICRA Research; \* Adjusted for tax, which was included in withdrawals/dividends; All ratios as per ICRA’s calculations; Amount in Rs. crore  
PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Dec 31, 2024	Oct 23, 2023	Sep 05, 2022	Sep 27, 2021	
1 Cash credit	Long-term	11.00	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	
2 Unallocated	Long-term	17.00	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	9.8%	NA	11.00	[ICRA]BB+(Stable)
NA	Unallocated limits	NA	NA	NA	17.00	[ICRA]BB+(Stable)

Source: Firm

[Please click here to view details of lender-wise facilities rated by ICRA](#)

### Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Uno Feeds	Rated Entity	Full Consolidation
Navkiran Techno Feeds	NA	Full Consolidation

Source: Firm

### Corrigendum

**Rationale dated December 31, 2024, has been corrected with revision as detailed below:**

**Change made in the 'liquidity section' on page no. 02.**

**Earlier:** The Group's liquidity position remains adequate with sufficient cash flow from operations over the past years and the same is expected to continue, going forward. The reasonable buffer (**around 60%**) available in its working capital limits also provides comfort to its liquidity.

**Revised:** The Group's liquidity position remains adequate with sufficient cash flow from operations over the past years and the same is expected to continue, going forward. The reasonable buffer (**around 65%**) available in its working capital limits also provides comfort to its liquidity.

**Change made in the 'Rating history table' on page no. 04.**

**Earlier:** PR date in FY2022 column – Sept 29, 2021

**Revised:** PR date in FY2022 column – Sept 27, 2021

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### Branches



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